

Wm. Irvine

Co-operation or Catastrophe

*An Interpretation of the Co-operative
Commonwealth Federation and its Policy,
by William Irvine, M.P.*

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FOREWORD

The Co-operative Commonwealth, as a social system to succeed Capitalism, should not be confused with the "Co-operative Commonwealth Federation". The latter is an instrument for the purpose of working toward the objective of a Co-operative Commonwealth, and as such may or may not accept the views hereinafter set forth. The writer is not authorized to outline the programme of that movement, but, as a member of it, he states his own views with respect to the present economic situation as well as to the future of society, in the hope that, even if such views do not meet with universal acceptance on the part of the Federation, they will at least assist its leaders to clarify their own opinions on the issues discussed.

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CHAPTER I

THE CASE AGAINST CAPITALISM

The Depression

The word "depression" is a mild means of describing what future history may regard as the most unintelligent response ever made by living creatures to a given situation. Hunger and want have stalked the race in the past in various degrees of ferocity, but never before has such universal want been present in the midst of universal abundance.

Some measure the depression in terms of trade returns, e.g., of reduced exports and imports; of lower prices on farm produce and failure to pay taxes; of unemployed and relief expenditure; and of inability to meet debts. In all these ways, and as measured in other economy terms, Canada, as well as the rest of the civilized world, is in a desperate condition. But more important than all these statements is the effect of these economic conditions on the lives of the people, young and old. Who will measure the physical suffering, the mental anguish, and the distressing fear, and who will measure the results of poverty, distress and permanent insecurity upon the future character of the nation? What must it mean to parents who anticipate being turned off the farm which has been in the family for generations; who can enter into the thoughts and feelings of the unemployed, forced to sleep like brutes in the field, or herded like swine in uninhabitable shelters to receive the meagre charity of the State as a means of an existence which isn't worth while? Or, think of the armies of youth emerging year by year from schools and universities. Who can calculate the personal and collective loss of

initiative, ambition, and of the intellectual and moral worth wrecked on a hopeless shore? Our youths have less security than the cattle in the pasture, and all their powers are stopped at the very outlet and turned inwardly to destroy the personality they might have glorified.

The final tragedy of these times is not economic but human. Every Canadian child has access to the public school; every adult has the right to vote; every person is supposed at least to have equal justice before the courts, while only a *percentage* of the population has a *chance* to obtain a job. In this, Capitalism has utterly failed. It has failed to give economic security. It has made its choice through the years between man and money, and decided in favour of money. The potential engineers, technicians, scientists, poets, philosophers and statesmen amongst our young people may all be wasted on the desert air. Of what significance is that? The financial position must be safeguarded, coupon-clippers must be protected, interest must be paid, debts must be met. Save a coupon-clippers' system, — to Hell with the people. So Capitalism has decreed.

Capitalism on the Defensive

Nothing is more marked in the face of the present chaos than the impotence of capitalistically-minded statesmen. They are completely bewildered. They have utterly failed to comprehend what has taken place, and what is taking place around them. They shout aloud their fears of a revolution, even while in the very midst of the greatest revolution of history. This IS the revolution. In Russia the revolution was ushered in and established by military force. Here, it has come of its own accord through the breaking down of the Capitalistic system in a natural way. A new order is being born before our eyes; it will develop and be established, we trust, by orderly and sane action taken with the sanction of the people.

Policies to which Parliament devotes its time are mere echoes of a past which no longer exists, and never will return. Party politicians whose threadbare policies have been inadequate for the events of the times, find themselves beaten at the game they fondly imagined fate had destined them alone to play. Seeing things grow worse under their hands; finding, despite their bombast and fatuous appeals, that people lose confidence both in them and their system, they turn in their chagrin upon the Co-operative Commonwealth Federation, which offers to the Canadian people a constructive policy suitable to the changing order of things.

While we who advance the only alternative policy to that of disaster are not afraid of any enquiry into the principles of that policy, and while we have no desire to seek escape from criticism, we are determined to make clear that it is not we who are on trial. It is the Capitalistic system and its political servants, the Conservative and Liberal parties, that are on trial. Let them answer to the young of the nation who are in idleness and insecurity; let them answer to the army of the disinherited unemployed; let them answer to that army who are employed but who, enduring reduced living standards and without assurance for the future, are alarmed; let them answer to the farmers who have tried, more than any other class of the nation, to bridge the ever-widening gap between increasing debts and decreasing income, but without success; let them answer to the nation for failing to feed, clothe and shelter the people out of the abundance of our national wealth. The onus is upon those who believe in Capitalism and who defend it to answer these questions. The Co-operative Commonwealth Federation is not on trial, but in the jury box. The events are the prosecuting attorney, and the people are the witnesses.

Capitalism is the term popularly used to describe an economic system of production. That is the sys-

tem which is now in operation in every country of the world except Russia. It is a system which took its rise in Britain some one hundred and fifty years ago, at the time of the discovery of steam. Indeed, it is to the discovery of steam-power and its application to mechanics in production that Capitalism owes its existence. For the purposes of this pamphlet it will be sufficient to point out certain characteristics of the system, without going into elaborate details of its history. Some of these characteristics hereinafter stated may have been less obvious during the early stages of Capitalistic development. Today, however, they are so much in evidence in all countries that to mention them will suffice.

The Great Achievement

One cannot speak too favourably of the great achievement of Capitalism. Without its contribution to the race, not only would there have been no progress, but there would have been no hope of any progress. Under the spur of perpetual scarcity on the one hand and the possibilities of great reward on the other, there was a situation in which circumstances had a double purchase on the most powerful instincts of the race. The ownership of the machine meant security for the fortunate individual at least, and since the greater the volume of output in relation to fixed overhead charges the greater the profit, a keen competition ensued and very soon resulted in a large surplus of goods in the hands of the owners of the machinery. That led to foreign trade. Then other countries followed Britain in manufacturing, so that now, after well over a century of development, Capitalism has produced a surplus in nearly every country in the world. Here, then, is the achievement of Capitalism conservatively estimated. It has succeeded in producing more of the necessities of human life than the entire world can consume. It has made possible a new age of abundance.

The Objective

The objective of Capitalism was not to produce abundance. That was incidental. The objective was private ownership for private profit, which meant that the goods produced by the machine owned by Capitalists had to be sold, or exchanged for other goods, so as to realize a greater amount than the actual value of the goods. To gain such a profit, costs of production were reduced to a minimum and this involved cutting wages to a point which barely permitted the wage workers to exist, as well as selling for all that the traffic would bear. The profit motive not only unchecked but encouraged by legislation and a false though popular ethics pushed individual Capitalists into keen conflict with each other. Internationally speaking, this conflict led to war, while internally, it took the form of wage reductions and the securing of legislative privileges from the Government.

Now it has become clear that the philosophy of profit was in the sole interest of one class in the community, and a small class at that. It is true that here and there a champion of Capitalism may still be found ignorant enough to think, or at least to say, that "everyone may make a profit under the profit system". It needs no argument, however, to reveal the absurdity of such a position. It is surely obvious that if one kind of wealth were exchanged for another kind of wealth on a basis of equal value, as all commerce is supposed to do, then no profit, as profit is known in the Capitalistic sense, could possibly accrue to any one. Similarly, if every service in the production of wealth were rewarded with the wealth produced by such service, there could be no profit to either party in the transaction. If a farmer exchanges his wheat for textile goods of equal value, the transaction enables both the farmer and the textile manufacturer to have food and clothing, but if the exchange were made fairly, neither would have a profit. The issue becomes clearer when put in this

way. . . . If every person in Canada is to make a profit, who is to pay the profit? Surely that answers itself, that if every one cannot make a profit in honest dealing, why should any one be allowed to make a profit by means which are necessarily dishonest as measured by modern standards?

Since everyone cannot make a profit, and only a very few can ever do so, since all the rest must contribute the profit made by the few, who shall be the favoured few? As to who should obtain profits was settled at the beginning of the Capitalistic system by the law of the jungle, — the Survival of the Fittest, and the most cunning at times was the fittest. Later, the question as to who should obtain the profits was settled by a false ethical standard, class legislation, and an econmic machinery which operates automatically in the interests of the few who control it.

Since, then, the Capitalistic objective is one that only a few can attain at the expense of the rest, it no longer can be upheld on grounds economic, rational, or ethical. The Prime Minister of Canada, speaking in Toronto on November 9, 1932, claimed the support of the "Man of Galilee" for Capitalism. What do our religious leaders say to that? Will they permit this slander on the greatest friend of man and of justice in history? Or will they hold with the Prime Minister that the "Man of Galilee" gave his life to support a system which starves the masses in order to produce a few millionaires? If the religious leaders of the churches of Canada do not repudiate the inference of the Prime Minister in this respect, the people will ultimately do as the Russians did, which was to put the churches and the Czar in the same category and repudiate both. No! the law of the jungle is the only power to summon in support of Capitalism. The profit objective cannot be endorsed by any acceptable religion or by any worth while ethics.

How Capitalism Divides the National Income

Light-weight critics of Socialism have sought to make much of the idea of dividing up all the wealth equally. Equality of income may have much in its favour, although it has never had a place in any Socialist programme in this country nor perhaps in any other. But what interests us now is, how has Capitalism divided the wealth? It has given about 90 % of the entire wealth of the country to about 5% of the people, leaving 95% of the people to get along as best they may on about 10% of the wealth. This division is not made on the basis of merit. Some children are born millionaires, and millions of children must grow up and work that the millionaire children may be able to collect their millions. This is called keeping our contractual obligations.

In this one particular of dividing the wealth of the nation, the Capitalistic system is a well-perfected machine. The parts of the wealth-dividing capitalistic machine are united together by what is known as interlocking directorates, the governor of the machine is called finance. The function of the Government is to keep the machine oiled, talk in high sounding phrases about justice and about law and order, and to keep the attention of the public away from the manner in which this machine of human institutions divides the national wealth. Just as by the centrifugal principle in sugar refining, the treacle is drained from the refined sugar, so the centrifugal operations of finance drain the major portion of the national wealth for the few and leave the treacle for the many.

For instance, a patriot promoted a company to make shells during the war. He had no money, so watered the stock, taking shares for his services. Ultimately, large dividends were paid on his watered stock, and he succeeded in making a million dollars during the period of war-inflated prices. He invested this inflated million in Victory Bonds. Then the Gov-

ernment deflated the dollar, resulting in a doubling of the purchasing power of the patriot's million from what it was at the time he invested it in bonds. By that means he doubled his investment in purchasing power which is the only power of money that matters. Then he got 5% on his million, which gives him \$50,000 income per year. When he dies his children will continue to receive that income.

There was a time when, to obtain wealth, real merit was required, and it was only two generations from shirt sleeves to shirt sleeves. But by the use of the financial machine all that the successors of the wealthy investor need to do is to hold their pockets open at the spout. So it comes about that the disinherited children of the soldiers who fought in the war and the children of farmers and workers who produced the supplies necessary to win the war must continue for all time, or for as long a time as the system lasts, to pay toll to successive generations of the offspring of the patriot, and the Government of the country regards it as a sacred duty to maintain that system. The Government protests against any alteration of this indefensible injustice and social crime by contending that the children of soldiers, farmers, and working people entered into a contractual obligation to pay \$50,000 per year forever and forever to the children of the patriot who made a million out of watered stock during the war.

It may be argued that all investments in bonds did not originate in watered stock. That is true, but even if the money invested in bonds had all been honestly earned, the conclusion would be the same. In either case, deflation doubled the value in goods of the investment and, under the present financial system, the dead hand of the investor will reach into the pockets of countless thousands yet unborn and filch from them the major portion of their incomes. Every child of the

working class born in Canada assumes, without its consent, of course, a contractual obligation to work all its life in order to pay interest to a few of his fellow-children, or even if there is no work, to pay anyhow.

Let every mother in Canada take account of our bonded indebtedness. The amount of our interest-bearing debts is somewhere between eighteen and twenty billion. Then let her ask herself the question, — Is my child on the paying end of this debt, or on the receiving end? And if her child is on the paying end, will she not want to change the system and free her offspring from such an unfair burden?

Take another example of how profits accrue to the owner of the manufacturing machine. Out of a bushel of wheat the millers make packets of "puffed wheat" equal to about \$20.20. The present price of wheat to the producer in the West is not much above 20c. So we may say that out of the whole transaction of making "puffed wheat" the farmer gets 20c for his wheat and the manufacturer gets \$20.00 for his "puff", — surely a very unfair division.

The Capitalistic machine system has been likened to a cream separator. The farmers pour the milk into the separator, the workers turn the handle, while the cream spout pours into the containers of the few and the skim milk spout is for the masses. Then, when the containers of the few are filled with cream, they order the separating stopped, so that at the present time a great many of our people are deprived even of their skim milk. Meanwhile, the unseparated milk goes to waste. Do those who have divided the national wealth in the above manner have any right to claim "justice and right" for their system of wealth-division? Does anyone believe that civilization depends upon the maintenance of such a system? Will those with their mouths at the skim milk spout continue to blame those turning the handle of the separator because they are not getting cream?

Capitalism is Breaking Up

There is only one hopeful thing in all the welter and chaos of the moment, and that is that Capitalism is breaking up. That is the real meaning of the depression. For generations, there have been minor breakdowns which have resulted in recurring depressions; as time goes on depressions recur more frequently, are more acute, and linger longer. One of these depressions will be the last one. It is to be hoped that this is that one. If not, there is more suffering still to be contemplated.

Instinctively, Capitalistic governments turn their attention to the repairing of the system. Obviously the task of any Government is to feed, clothe, shelter, educate and make the people happy. It was in doing this that Capitalism was developed. Capitalism was never intended to be a substitute for the needs of the people, as it is now being made. At best it was never more than an instrument by means of which the needs of the people were supposed to be supplied. When changed conditions make another instrument more serviceable for the purpose it is folly to sacrifice the ultimate end in a vain attempt to preserve a temporary and inadequate means.

A family buys a motor car and uses it as a means of travelling on business or pleasure. What would we think if we saw the family, when the engine of the car has worn out, shoving the car everywhere they went. Instead of seeing the family comfortably seated in the car and being taken by it to work or pleasure, as formerly, we should see the family outside the car pushing it, not to a garage to be repaired, for it can't be repaired, but pushing it to picnics in the country, to business every morning. That would be a case of the family taking the car, instead of the car taking the family. Of course there never was a family as foolish as that; but Governments are that foolish. When the economic machine stopped running the Government made the people pick it up and carry it on their backs.

Our railroads, for instance, have practically stopped carrying people, so the people now carry the railroads. The tractor does not work for the farmer, the farmer works for the tractor; the banks don't furnish money for the people, the people furnish money for the banks; and so we go on, in a world gone mad.

Why Capitalism cannot be Repaired

The hope of those who believe in the Capitalist system is that for some reason unknown, prosperity will return and that on its next return it will stay. Added to the belief that since other depressions have ended, so will this one, is the blind faith in what the Prime Minister of Canada calls the Grace of God, which, having permitted the people to suffer for four years, may permit their suffering to continue indefinitely. Of course, another short period of so-called prosperity may be possible, or even several periods, but those who regard these depressions as phenomena indicating the disintegration of an economic system, while not fixing a definite date when Capitalism will finally cease to be, hold that for the following reasons, among others, Capitalism cannot survive:

Dependence upon Foreign Markets

Production under Capitalism is undertaken for profit. Machinery has displaced human labour for no other reason than that it costs less to buy and maintain a machine than it would cost to pay an existence wage to the number of men displaced by it, thus leaving a greater margin of profit for the owner of the machine. Profit for our purpose here may be defined as the amount which the seller of a commodity receives in excess of the amount which it cost him. For example, the selling price of a pair of boots must be greater than the price of the raw material used in making them plus the wages paid for labour in the manufacturing of them, plus all overhead costs, including the required percentage to pay for the entire

capital cost within a given length of time. The selling price, therefore, of all the boots made in a single factory during any given time must be greater than all the money paid out in the entire process of production, therefore, it follows that all boots made by the factory cannot be bought with the money distributed in the course of production.

What is true of a boot factory is equally true of the total national production, so that if we regard a nation, for the moment, as an economic unit, it is absolutely impossible for the people in any one nation to buy the total national production with the money distributed during productive operations in any given length of time. It follows that there must remain a surplus of goods which cannot be sold at home since the people there have not received sufficient money with which to pay for them at a profit price. If Capitalists do not find a foreign market to absorb that surplus, then they stop production and store their surpluses no matter how hungry the people may be. That situation is universal today.

In the early stages of Capitalism it was easy to find a foreign market. At one time Great Britain was the only country with a Capitalistic surplus. (It must be noted that a Capitalistic surplus is not necessarily a real surplus in the sense that the people of the country concerned have the capacity to consume all that has been produced, but rather that the people have not the purchasing power, for the reason above given, to enable them to buy the so-called surplus. Hence, the greatest degree of general want usually accompanies the greatest Capitalistic surplus). At that time Great Britain had no difficulty in exchanging her surplus of manufactured goods for wealth of various kinds from other lands. As time went on, however, other countries became industrialized and entered into competition with each other to secure a share of an ever-diminishing foreign market. Every country thus industrialized not only ceased to be a

foreign market to other industrialized countries, but sought for itself a share of what foreign market was left. We have at last come to the time when almost the entire world is industrialized. Every country has a surplus of almost the same kind of goods. There are no new countries left for Capitalism to exploit. There is not in the entire world a foreign market sufficient to keep Capitalism going. In other words, Capitalism cannot exist without foreign markets and there are no foreign markets.

Take, for instance, automobiles. Someone has estimated that the United States of America could make a sufficient number of automobiles to supply eight worlds the size of our world at the same ratio of users to the population of the eight worlds as now applies to users in the U.S.A. today in relation to the population of that country. With such a capacity output the U.S.A. must try to sell its automobiles to all the other countries of the world. But at the same ratio of users to population Canada can produce automobiles for three worlds the size of ours, so she must also try to sell her automobiles outside of Canada. Great Britain can make enough automobiles to serve five worlds as large as our world, so she also must find a market; then France, Germany, Czechoslovakia and Japan, etc., can all make more automobiles than the world could use. Where, then, is the foreign market for automobiles? Obviously no such market exists, nor is there a foreign market for all the other commodities which are produced in common by the industrialized nations of the world.

Anyone can see, of course, that if Canada or any other country were to produce goods for the use of its people instead of for profit for the owners of machines and for bond-holders, the capacity to consume would be greatly increased. But that is another question. The point now is, that Capitalism, operating as it does for profit, fails to distribute sufficient purchasing power to buy its output within a given time.

Foreign markets, therefore, are essential to the continuance of Capitalism. But Capitalism has at last, by its own hand, destroyed all foreign markets. Like the classic snake which began at its own tail to eat itself, and finally reaching the back of its neck had to stop, — universal Capitalism has exhausted its own foreign markets and has also stopped.

Diminishing Opportunity for Investment

In this connection, the figures given by Mr. Stuart Chase in *The New Republic*, some time ago, with respect to the boot and shoe industry of the U.S.A., will do very well to illustrate not only how over-capitalization takes place so that the industry cannot carry the burden, but will also show the process by which Capitalism has destroyed itself by the inescapable laws of its own existence. Mr. Chase pointed out that there was plant equipment in the U.S.A. sufficient to turn out 900,000,000 pairs of boots and shoes per year; that the people of that country bought only 300,000,000 pairs per year; that if they had had sufficient purchasing power to enable them to buy all the boots and shoes necessary for their comfort they would buy about 500,000,000 pairs. As things are, there is a producing capacity sufficient to leave a surplus of 600,000,000 pairs of boots and shoes per year, and yet, notwithstanding this fact, there are millions of new capital poured into the boot and shoe business of that country every year. Surely Capitalists are finding it difficult to find a place to invest their money when they make investments in over-capitalized industries like the boot and shoe industry of the U.S.A.

The railway industry in Canada affords a good example of the effect of over-capitalization on the public as a whole. Capital was invested in wasteful and unwarranted duplication of lines and services, in the expectation that it would be possible to make profits out of their operation. The combined capital-

ization of the C.N.R. and the C.P.R. is at least twice as large as it should be, and the result is that the people of Canada must pay in freight-rates and in interest twice as much as would be required if the industry had been capitalized with a view to the public welfare instead of profits for a comparatively few bondholders.

In this way nearly all modern industry is over-capitalized. Day by day the field of the investor narrows, and in the midst of this depression it has narrowed to the vanishing point. Where would a man who has a million dollars invest it today with any assurance of getting it back plus a dividend? Would he invest it in agriculture at present prices? Would he invest it in railway, mining, or other company stocks while the stock market is almost dead? Would he invest even in mortgages, with present prospects? No! He would not. As a matter of fact, he has not. Investment has almost stopped, and will stop completely if profit stops. Well, profit has almost stopped, too, and must stop ultimately. Just as a fatted cow gives no milk, so an over-capitalized system yields no profit. Some advocates of the Capitalistic system argue that human wants have no limit, and that there will always be new inventions and new devices in the manipulating of which new capital will always be required. We shall place no limit on human wants. The trouble is that Capitalism is so constructed as to be unable to supply our wants. The more wheat is produced, the greater the number of hungry people; the more trains, the less transportation, the more clothing, the more people there are in need of it; Capitalism is smothering itself in its own abundance.

The Approaching Financial Crash

The financial structure built up under Capitalism, and to which Capitalism is devoted, is such as to make its collapse inevitable. To begin with, the pre-

sent financial system is such that some one must go into debt before there is any money in circulation at all. In fact, the purpose of the system is to create debt as the chief means by which generation after generation of people can live without having to do any sort of useful work. Once created, debts tends to grow on the principle of the snowball rolled in the snow. One reason why it grows is that interest is compounded and added to the principal when not paid, and another reason for the growth of debt is that the interest charges are usually all that the borrower is able to pay, so that when the loan is due, the individual or the State, as the case may be, is more likely to have to borrow some more than to pay the old loan.

Here, for example, is a Province in need of a highway. The Provincial Treasurer cannot balance the budget as it is, so it is impossible to obtain by taxation sufficient to build the required highway which, we shall say, is to cost \$20,000,000. So the Provincial Government floats twenty-year bonds for the amount, on which is paid 5% as well as commissions. The taxpayers manage to pay the interest for twenty years, which would amount to a sum equal to the original loan, but the loan would still be unpaid. But at that time the Province finds that the highway is worn out and it is necessary to build another, so the original \$20,000,000 is refinanced and another issue of bonds for another \$20,000,000 for twenty years is made. The Province now owes \$40,000,000 and the people must pay increased taxes to pay the interest on the new \$20,000,000 loan, and so it goes.

Here is a case taken from Great Britain, which is typical of public debt. During the reign of William and Mary the British Government borrowed from the Bank of England £1,200,000 at 8%. The interest charge was subsequently reduced, nevertheless by compounding of the interest over a period of time this loan grew to £14,686,000. Then over a series of

years one-fourth of this amount was repaid, so that by 1860 Great Britain still owed the bank £11,015,000. And today, seventy-two years later, the British Government still owes the Bank of England £11,015,000 after having paid the interest on that for seventy-two years, which would probably amount to about £49,000,000 plus the £3,671,500 by which the amount was reduced by 1860. That is how debt grows.

When the individual finds that his income is insufficient to meet the interest on his indebtedness, then his debt crashes. When a nation has reached a point where it cannot maintain public services and pay the interest on its indebtedness out of current taxes, then its debt crashes. Just as the snowball gets bigger and bigger with every roll, so debts grow larger and larger. When the individual cannot meet his debt obligations his creditors foreclose; but when nearly all the individuals are in debt and cannot pay, foreclosure becomes impossible. For instance, it is not practicable for the Mortgage Companies of Canada to foreclose upon all farmers who cannot pay at the present time. What, then, is to be done?

Nations are in a position equally hopeless. The debt burden internationally considered is now so onerous that it has brought economic prostration upon the civilized world. It is true to say that the financial system of civilization has already crashed. It is impossible to pay these debts.

Debts, whether individual or national, can be paid only in goods and services or in gold. There being only sufficient gold in the entire world to pay the interest on the international debt for one year, all hope of paying in gold has been abandoned. As to paying in goods and services, even if it were possible to produce the required amount of goods and services, the creditor nations are unable to take delivery of such payments. Why? Because the creditor nations already have more goods and services of the same kind

in which they might be paid, than they know what to do with and so cannot accept any more. Indeed, the creditor nations are so afraid of being paid in goods and services that they have protected themselves with high tariff walls against the importation of goods from the debtor nations

Since, then, it is absolutely impossible to pay international debts by the only means in which payment could be made, the nations of the world must face the stern fact sooner or later that debts cannot be paid. Thus Capitalism, having destroyed its foreign markets, without which it cannot continue, having piled up investments until there is no more room for profitable speculation, and having built up such an enormous burden of debt which can never be paid, finds itself at last in a cul de sac. How long it will beat against the impenetrable walls of that blind alley no one can foresee. We shall leave it there and direct our thought and effort to the founding of another economic system adequate to the conditions and demands of a new era.

CHAPTER II

THE APOLOGIA FOR CAPITALISM

The Purifying Fire

There is no acceptable apology among the many offered for the present economic conditions. Capitalism is in the hands of its friends. The Prime Minister of Canada is as a high type of mind as Capitalism can produce. He knows the system, he believes in it; he wants it to continue, he has done everything humanly possible to make the system function, and he has failed. Having failed it becomes necessary to offer excuses and to urge the people by erroneous arguments, by appeals for sacrifice, etc., to allow the system to continue even although it has failed. In effect we are told,—“Yes, you have produced too much food, but since we don’t know how to distribute the food without sacrificing the Capitalistic system, we ask you to tighten up your belt, and the more the short ration makes your ribs stick out, and the tighter your belt becomes, the more purified you will become, yes, even as fine gold fit for a gold basis has been purified by fire; there is abundance of all that is necessary for a happy life, but we ask you to do without these things in order that Capitalism may come through, but if you will not become noble and grand by suffering want in the midst of abundance, with a smile, then shall we plant upon your necks the iron heel of ruthlessness.”

The Results of War

“We had a World War, didn’t we?, Well, this depression is the aftermath of the war,” say some apologists of Capitalism. That is just as true as if one neighbour should say to another, — “A black cat crossed your path this morning, didn’t it? Well, that is the reason why the bottom dropped out of the stock market.” The motive in blaming the war is clear. If the people can be made to believe that the depres-

sion is due to the Great War, they will naturally expect the depression to be as great as the war was, and will be induced to put up with the most absurd conditions under that delusion.

The war cost much in life and wealth, it is true. But all the wealth required as a means of fighting the Great War was produced within the war period. In addition, the capital of the various countries was 50% greater on Armistice Day than it was on the day that hostilities broke out. Apart from that, if there had been a scarcity of goods, so much so that the State had to enforce rationing upon the people, that condition might have been successfully attributed to the war, even though there might have been no connection between the two. When, however, there is too much of all the necessities of life, and the people are not allowed to consume of the abundance, in what way can that condition be regarded as an aftermath of war? On the contrary, it is nothing but the evidence of incompetence.

The World Situation

Again, we are told that this great depression is a world situation, and therefore it would be unreasonable to expect the Government of Canada to do anything about it. That sounds plausible. It is certain that the depression is as universal as Capitalism. If potatoes were cut into "set-" sufficient to allow the planting of one "set" in each of the countries within the bounds of civilization, potatoes would be reaped in every case. So is it with Capitalism. It was planted in all countries, and in all countries its fruits are apparent. Those fruits are real or potential abundance while millions of people are in want; the concentration of great monetary wealth in the hands of a few with corresponding penury for the many; the displacement of labour by machinery, and an army of unemployed which grows larger with every new invention, and with every improvement in the

field of industrialism; and a debt, both private and public, so large that it not only never can be paid, but so enormous as to threaten the stability of the economic structure on which it rests.

Yes, this is a universal situation because Capitalism is universal, and its fruits in all countries are the same. Still, to tell hungry Canadians who gather around our surplus food, that they cannot be allowed to eat any unless we can sell the surplus to some other country, and that we cannot sell that surplus to any other country because of a world condition, is too stupid for comment. People will suffer want with great fortitude when there is a real scarcity, but it is against human nature to starve in the midst of plenty.

Have Confidence

For four years our public men, our so-called economic experts, and our newspapers have told us that the industrial depression is psychological; that if we only restore confidence, then unemployment, poor business, and, in short, the depression, will disappear. Even if this were true, which it is not, those who say so should know that it is psychologically impossible to build up confidence without a foundation upon which to base it. What fact or set of facts or upon what actual policy should working men base their confidence that they will be employed in the near future? Upon what shall the farmers rest a faith in the future price for wheat in a glutted market? On what grounds shall those who are burdened with debt build their hopes of solvency? And it is, forsooth, our hard headed, practical men of big affairs who are silly enough to expect that confidence can rest, and build itself up, on air.

Let these champions of blind faith be assured that sound reason and sound policy must precede confidence. Labour people want to know how profit can be maintained, while at the same time hours of labour

are reduced so that every person can be employed and still wages paid sufficient to maintain modern standards of living; they want to know how the present surplus can be distributed under Capitalism without foreign markets, or else where foreign markets are to be found; and farmers want to know how their debts and the debts of the world, now many times larger than all the money in existence, can be paid. It will take more than a blind, reasonless confidence to accomplish these things, even when Capitalism has been abandoned. It is impossible to achieve such ends and at the same time retain the Capitalistic system. To be sure, people must have confidence, but even more certainly must they have a reason for confidence.

Rigid Economy

To ask people to practice thrift and saving in the present economic circumstances is like telling a man living on the shore of Lake Superior that there is no water for a bath, and to save the raindrops for that purpose. Civil Servants' salaries have been cut and public services have been curtailed. Following the lead of the Government in this insane policy employers of labour throughout the country have reduced wages. This policy is advanced as if it were profound wisdom, and its achievement the highest virtue. Not only is it acclaimed from the Treasury benches of the Government, but writers in such magazines as "Maclean's", who can copy figures accurately from Government statistics, but apparently neither know what money is nor what it is for, laud the same policy.

Let us ask these advocates of thrift, these writers who criticize Provincial Government budgets in "Maclean's", and our Federal Minister of Labour, who urges farmers to "do without" in order that they may come through, what are we to save, and what are the commodities it is desired that we should do without in order to practise thrift?

Our entire national wealth consists of our natural resources and the commodities which by the application of labour have been produced from them. Now let us test the advice of these starve and save economists. Shall we save food commodities? Shall we save fish, for instance, or potatoes, or wheat, or eggs, or cream, or butter, or what? We have more of all essential food than a population many times the size of ours could possibly use. Why, then, should we save food, since there is more than we can use, and since to save it is to have it rot? Surely they do not mean that we should save food.

Shall we save clothing then? Our warehouses are filled with clothing, and boots and shoes. Our factories are idle, and if put to work can increase the output enormously. The raw materials necessary for boots and shoes and clothing are almost beyond estimation in their abundance. No, it cannot be these things that we are asked to save.

Shall we, then, try to save coal, or lumber, or pulp? Shall we save gravel by refusing to make highways? Or, perhaps it is labour that we are to save? Shall we save labour by increasing the army of the unemployed? But why should we be left to guess the things that should be saved? Why are we not told by the Government the things that need to be saved? The only way to save wealth is to use it. That is why it was produced. If not used, it is a dead loss. In the midst of all our great abundance, then, what shall we deny ourselves, — what shall we save!

We shall take one more guess. Perhaps they want to save money? The unemployed have been too extravagant, perchance, or the farmers have been prodigals. Money is the symbol of the real wealth of the country. There are not enough symbols to effect the distribution of our abundant wealth. If those who have money save it, there will be still less money for the purpose of wealth distribution.

Contractual Obligations

The sacredness of a contract is put forward time and again as the excuse for further taxation, or when in any other way the burden upon the people is increased. In the name of this sacredness the sheriff forecloses on the farmer or ejects the working man with his family to sleep in the street. To fulfil the sacred contract to pay interest to bondholders, who are bondholders because they have arrogated to themselves the right to exploit the public credit, Governments increase taxation, and thus indirectly deprive children of bread, they curtail necessary public expenditures, cut the income of Civil Servants, reduce public services even to the point of failure to maintain highways or to keep open the public schools. In other words, the people and their needs are secondary considerations. Capital is God, and though children starve, women weep, and strong men despair, He must be appeased in all his greed.

There are contractual obligations more sacred than those made with bondholders, and any civilization which disregards these will perish. Mankind made a contract with life. It was drawn up at the dawn of time, signed by the hand of Nature, and witnessed by the eternities. That contract gives life first place. Parents subscribe to it still. They have signed in their blood to feed, clothe and shelter their children, and to afford them an opportunity to live. It is better that all other contracts be honoured with default than that these should be violated. Statute law may protect the bondholders' rights, but the laws of Nature and of life protect the other, and Nature and life will win in the end.

The Iron Heel

When the "will to live", that urge of all time, that inner force which has pulled the race through countless centuries from slime to divine status, breaks

through the threatening restrictions in search of still fuller expression, the puppets of a system display the iron heel and threaten to use it ruthlessly. The propagandists of Capitalism are like war-time propagandists who do not hesitate to misrepresent and falsify any occurrence, or to weave from their own murderous mind the most gruesome atrocities, so that fear, and hate, and all the latent powers of Hell may be aroused in the name of patriotism. In the same manner Russia has been lied about and made a scarecrow. To shout "Bolshevism" at a man is supposed to be sufficient to rob him of respect and make him a thing to fear, to be shunned. And as for Socialism, what scene from Dante's Hell could be more terrible than this?

Fortunately, this sort of thing has been so overdone that both its purpose and its falsehood have been discovered. Nobody in Canada wants to repeat the details of the Russian upheaval, knowing, as we do, that the two countries are not comparable. Russia was not industrialized and was incapable of producing abundance for her people; Canada is industrialized and has already achieved abundance. Russia had no political freedom, and the only recourse of her people was force; Canadian people have the franchise and the constitutional right to vote into existence any sort of system they may decide upon.

While it is neither practicable nor desirable for the movement for a new social order in Canada to repeat the methods and acts of Russia, we may well be proud if we can achieve as much for our people in this generation as Russia has achieved during the last five years. Whatever else may be said of Russia, her people are at work; they are fed and clothed, and have an assurance of equal economic security; they have a great ideal towards which they are moving under the direction of intelligent planning, and they have a hope of ultimate success which we as a people lack in Canada, but which makes life for the Rus-

sian worth while even if in other respects his living standards may be lower temporarily. So when all is said and done, we are approaching a time when it will be as difficult to scare the farmers and working men in Canada, in their precarious economic existence, by shouting Russia as it would be to scare a donkey with a bale of hay.

There is only one answer to the "Bolshevism" which the beneficiaries of the present system fear, and that is a better, fairer, and more just and intelligent social order. Those who raise the iron heel will perish by the iron heel

Those leaders who would substitute force for kindness and understanding, repression for wisdom, and iron heels for brains, not only prove their unfitness to lead, but invite upon themselves the very destruction they are justifiably anxious to avoid.

CHAPTER III

THE CASE FOR THE COMMONWEALTH

The Fact of Abundance

The corner stone of co-operative policy must rest upon the basic fact of abundance. That fact in itself is the most startling and the most revolutionary incident in respect of social relationships which the history of the modern world presents. It is only because Capitalism has achieved abundance that co-operation becomes possible, but given abundance as we have been given it, we have the basis for an entirely different social philosophy.

There is no place for co-operation under an economy of universal scarcity. Wherever there is a scarcity of those things necessary to life, competition or struggle for the major portion thereof is inevitable. That is the basic truth underlying the whole Capitalistic régime. At the time Capitalism began, scarcity was universal, and widespread famine and want were common. With the danger of want ever present, the individual, in the interests of self-preservation, sought to make himself secure regardless of his fellows. The philosophy of that time was, in very truth, "every man for himself", and if the devil should get the last one, few there were who cared, for such an occurrence could only mean that there was one less to compete for a share of the limited supply. So it was in that spirit of greed, fostered in scarcity, that Capitalism took its rise, and in that spirit it developed the technique of competition for profit. During that process, however, we arrived at the age of plenty, an achievement of which the people of the world are only superficially aware.

The full significance of plenty has not yet dawned on the collective mind, so that, while abundance is here, we retain the technique of a scarcity age, together with its competition and its greed. When the great fact of plenty has been fully accepted, individualism and competition will yield to social ends achieved by co-operation.

Do people who live in the cities compete with each other as to which shall obtain the most water from the kitchen faucet? Do they save it up in barrels and put it in the cellar? How foolish it would be to save up water for a "rainy day", when there is abundance of it. Competition is equally as absurd in regard to everything which has become abundant through industrial progress.

Production For Use

When it is fully understood that this is an age of plenty, an entirely different technique of production and distribution will evolve, and the objective will be the general good instead of private gain. "Production for use" was anticipated long ago by men like Karl Marx and Henry George. They were giants on the mountain top, and their range of vision was far beyond the average. In the end, however, we all arrive at the same conclusion, but not until events have brought us face to face with the facts. When a farmer sees his granaries bulging with grain which nobody wants, beef growing old and tough on the hoof because there is no market for it, his potatoes rotting in the cellar because no one wants to eat them, he begins to think how foolish it was for him to waste his efforts in that way, and how much better it would be if he produced the proper amount required for consumption.

Even a better lesson in "production for use" comes from our factories and warehouses. Here, for example is a factory where boots and shoes are made. The factory is not running, and the warehouse is

filled with boots and shoes. We leave that scene and we visit the working people who worked in that boot and shoe factory, and we find that their children are barefooted, and their own boots have been soled and patched until they cannot be repaired any further. We find also that there are hundreds of thousands of people throughout the country who need boots and shoes, but still the warehouses filled with these commodities remain closed. Why? Because the manufacturer had those boots and shoes made for profit and not that people should wear them. He finds that the people have not sufficient money to buy his boots at a profit price, so he refuses to sell until he gets a profit price. Manufacturing stops also, for the same reason.

The ideal economic system would be one in which all that was produced would be consumed and all that could be consumed would be produced. The profit motive and the unequal distribution of purchasing power by the whole Capitalistic machine brings about the absurd condition that the more we are capable of producing, the less, relatively speaking, people are permitted to consume, and goods of all kinds are allowed to rot or be destroyed rather than be made available to consumers at less than a profit price.

Production for profit thus defeats the only intelligent purpose of all industry, which is the satisfaction of human wants. What has the genius of man been devoted to through the centuries if not to serving human needs? What is the use of a brilliant physician, if sick people are unable to consult him; of what use are fast trains if people cannot afford to ride on them; why boast of the output capacity of a factory when people cannot buy the commodity it produces; of what satisfaction is it to the hungry unemployed to know that Canada is the greatest food-producing country in the world?

In a Co-operative Commonwealth, the private profit motive will give place to the social motive.

Under that system there will be only one possible reason why any person might lack any service or any particular commodity, and that will be if such service is not available, or if such commodity, either for lack of raw material or for lack of capacity to produce, cannot be obtained. When the Commonwealth is established, it will not be regarded as particularly virtuous on the part of the State to force people to go through "purifying fires" of hunger, while granaries are bulging with wheat, and food-stuffs are being used for manure. Further, the Co-operative Commonwealth *will* come, unless it be true, as someone has said, that the human race is composed mostly of fools.

Human Nature

There are some people who think they know a great deal about human nature, and they think that it is human nature to produce only for private profit, and that any other objective would be contrary to it. A view of that sort is obviously the best possible example of human ignorance. There is such a thing as human nature, of course. The principle of that nature is one held in common with all life, and that is to obtain the fullest expression of life with the least possible effort, and another phase of human nature is adaptability in order to achieve the fullest life with the least effort. It is upon these elements or principles of human nature that we rely both for the initiation and the establishment of the Co-operative Commonwealth.

Since it is human nature to desire the fullest possible life for the least possible effort, is it probable that 90% of human beings will deny themselves the use of the wealth which they have worked to produce? It is true that not infrequently human nature is stupid, and that is the only reason why the first principle of human nature has not asserted itself sooner. Put the question in another way to our self-appointed pro-

fessors of human nature. Is it human nature for the masses of the people to exist in varying degrees of want, in the very midst of the abundance which they have helped to create? Is it human nature for people to starve in the interest of a profit motive which has deprived them of the means of life? Let those who prattle about human nature think these questions over and then, if they are profiteers and are wise, they will beware of human nature

The second principle, — that of adaptability — comes to the assistance of the first. That is, when human nature asserts itself to secure the fullest possible life with the least possible effort, the machine will be made to do the work of production, and since by that means enough will be produced for all, it will be easier to let everyone have what he needs than to prevent his having it. So the Co-operative Commonwealth will be formed just because that is what human nature must do in the circumstances. Once formed, the principle of adaptability will do the rest. In one generation the masses' thoughts about profit will be as negligible as the amount of profit they obtained during the period when they did think about it.

In answering the "human nature" argument in his address to America, Mr. Bernard Shaw uses putty as an illustration of the nature of human nature. Putty is soft and pliable, and may be moulded into any shape desired. When it has been formed, it is left to set and harden. The young people of the coming generations will be moulded to the standards, ideals, and technique of the Co-operative Commonwealth just as perfectly as a modern pauper has been moulded and hardened to the belief that society cannot go on without the profit system by means of which he became a pauper. Such is human nature.

Human Interests the Objective

Since the chief aim of the Co-operative Commonwealth will be to make all agencies and institutions

conform to human needs, with a view to attaining the highest possible happiness for all, human nature is bound to be on the side of the Commonwealth as against Capitalism. An economic system which is run for private profit is not influenced by the human elements. Capitalism began by making its profits from the slavery of weak women and little children; while strong men wept in idleness. The great industries which have made millionaires have starved the bodies, impoverished the minds, and broken the hearts of those whose energies were required in the profit-making scheme. A profit system operates for profit, not for humanity. In order that it might achieve its end, humanity has been butchered wholesale in its bloody wars, cramped, starved, and distorted in its factories, and rotted in its slums and its prisons.

With a changed objective—that of human interests first—society will be transformed through the Co-operative Commonwealth. The question then to be asked of every institution, whether governmental, educational, religious, social or industrial, will be,—does it make people healthier, wiser, nobler or happier? Under this system it will soon be learned that it is better to buy bread for the children than to pay rent to a landlord who has too much already; better to buy a car and enjoy living than to save a thousand dollars with which to buy a coffin; better to send a youth to a university than to gamble the amount which would be necessary to do this, on the stock market; better to use medical science to keep people from getting sick, than try to cure them after they have become ill; better to have the schools, colleges and hospitals enlarged to afford the necessary accommodation because we have the material and labour and skill necessary, than to allow that material and labour and skill to go to waste, and people to lack the accommodation because we haven't got the money. Yes, a "humanity first" motive in our economic sys-

tem will transform both the institutions and the lives of the people.

The First Step

If a wagon is stuck in the mud, the first thing to do is to obtain more power in order to haul it out. When an economic system gets stuck, it requires power also to move it. The first step in the direction of the Co-operative Commonwealth is to develop sufficient political power to enable us to begin laying the foundations of a new social order.

Just as there is sufficient power going to waste in our rivers which, if used, would drive the machinery of many factories, so have we sufficient social power going to waste in the rivers of unthinking custom and habit, to alter the whole course of civilization. Steam-power was utilized by confining it in a cylinder. Unconfined, it dissipated itself in all directions, but directed into one channel, controlled and used when required, steam power became a practicable source of energy.

It is so with our social power. Thousands of individuals, each working separately regardless of the rest, dissipate our social energy, so that individually and collectively we are impotent. Without power we can do nothing. The power of the individual, no matter how it is used, is ineffective. The social power, or the power generated by the association of many individuals, can do things. We must make practicable the use of our social power.

How is that to be done? Just as an instrument was required to make the use of steam-power possible, so must we have an instrument through which to exercise our social power. The Co-operative Commonwealth Federation is an attempt to build such an instrument. In it we hope to confine into one great cylinder of social purpose the activities of the various individual groups which, when exercised separately, are powerless to obtain results.

The Federation will be composed of the groups from coast to coast which already exist or which subsequently may be organized, having a common purpose. The next election will be the first test of the capacity of the C. C. F. to develop voting power. Then, for the first time, Labour parties, Farmer organizations, and Socialist and other groups across the Dominion, will try to co-operate in voting for the achievement of a common purpose.

Can Labour and Farmers Vote Together?

From an economic standpoint, there is little to choose between the farmer and the industrial worker. They are exploited by the manufacturers and the controllers of finance. The farmer has even less to say in the pricing of his products than the industrial worker has in the price of his labour. The farmer works longer hours than the labourer, but his meals are better. If both manage to obtain three meals a day and somewhere to sleep, for themselves and their families, that is all they will get. A farmer who cannot sell his grain is in exactly the same economic position as the unemployed who cannot sell his labour. The reason for the plight of both is the same.

Farmers and labourers co-operate in the production of the national wealth, although the fact is not always realized. The farmer no longer enjoys the independence and the secure individualism of the last century. Miners and mechanics, railwaymen and sailors, and a host of other groups and crafts too numerous to mention, co-operate with and assist the farmer. While the farmer produces the food for all these people, they make his plows and engines, shoe his horses, build his roads, make his boots and clothing, transport his produce to market, and even make him a motor car and a radio for his pleasure. What reason on earth is there why men who are so essential to each other's life should divide on matters of citizen-

ship? The only reason, surely, is their ignorance of their dependence upon one another.

But it is argued, is not a farmer who owns his land more of a Capitalist than a working man? Some farmers think so, and some labour men agree, but farmers and labour men who know the facts and are capable of thinking, know better. The great majority of farmers do not own the land, they are just struggling on in hopes that some day they will own it. They are working hard for mortgage companies and machine companies, the agents of which dog the farmers' steps soliciting payments until life is made a misery. This has been going on for generations. As time passes, more and more of the farmers lose the struggle and drop down to the position of tenant farmers, a position which differs in no important respect from that of the industrial wage-earner.

Then, what of the few farmers who actually own their land? Most of these inherited it from their fathers. If they compare the value of their land now with what it once was, they will discover that in some strange way society has robbed them of so many dollars per acre. Another year or two of low prices, and farms will not be worth the taxes levied upon them. What has become of this boasted ownership? Moreover, these farmers who have a clear title to land, have through their various governments and without their knowledge, pledged their land against the Municipal, Provincial and Dominion debts. In reality, they own nothing. The taxes they have to pay for the privilege of working hard all year is greater than their entire income. They are merely renting the land. The bondholders are the real landlords, and taxes compose the rent.

What, then, is there to prevent farmers and labourers from voting together for a common purpose? Have they not for generations voted together for their exploiters? Is it not true that farmers and labourers join at the ballot-box under the banners of Conservatives and Liberals? Have they not together

elected all the governments Canada has ever had, and worse still, has not this joint unconscious effort between these two classes resulted in the placing of power in the hands of their common master? If, then, farmers and labourers can join together unconsciously at the ballot-box to elect a Tory or a Grit government in the interest of Capitalists, could they not be persuaded to join together consciously to vote at least once in their own common interest,—for the Co-operative Commonwealth?

Planned National Economy

To speak of planning anything in our national economy is to incur the opposition of all leaders of industry and finance, as well as of their servants, the political leaders. To suggest a plan is to strike at the very roots of Capitalistic technique. Any suggestion that the national economy be intelligently directed is instinctively repelled by the Capitalistic mind. According to our leaders, Canada must continue with a planless economy. That is much more romantic, don't you know! Why, if we had planned our transportation system with a view to the most economical service to the nation as a whole, we should have missed all the fun of paying such enormous tribute to the bondholders, and we would never have enjoyed the present railway mess; had we planned to balance our industries, we should not have pushed an immigration policy for farm settlement to the point where farm products have exceeded in volume all other lines of production to such a degree as to make them almost valueless. But just think of what we might have missed had we planned to avoid that! Farmers would never have enjoyed as they are now doing the growing of wheat below the cost of production; they would never have had the exquisite thrill of seeing the sheriff camped on the door-step, and think of it; they would have missed the chastening and "purifying fires" so remedial for the ills of the soul!

And there is another reason why national planning should be avoided. Don't you know what it is? Well, it is this,—Russia plans, so of course we must avoid being like Russians. It is so important to avoid doing anything that the Russians do that our Government is contemplating issuing an order that all red-blooded Canadians must give up eating, sleeping, mating, and enjoying good music and literature, just because the vile Bolsheviks do all these things. The Co-operative Commonwealth Federation will flatly refuse to obey that order, because they rather enjoy doing those things, and would rather even submit to the charge of high treason for having a plan, than give up all the other things that the Russians do.

The following classic, quoted from a book called "The Russian Primer", which is widely circulated in Canada because of its unquestioned pedagogical merit, reveals our planless economy more pungently than anything in the English language:

"Mr. Fox acquires money—one million dollars. But money must not remain idle. Mr. Fox looks through newspapers, he consults friends, he employs agents. From morning till night the agents comb the city, look about, and make enquiries. What is to be done with the money of Mr. Fox?

At last a business is found. Hats! That is what one should make. Hats sell; men get rich.

There is nothing to hesitate about. Mr. Fox builds a hat factory.

The same idea occurs at the same time to Mr. Box, and Mr. Crox, and Mr. Nox. And they all begin to build hat factories simultaneously.

Within half a year there are several new hat factories in the country. Shops are filled to the ceiling with hat-boxes. Storerooms are bursting with them. A great many more hats are made than are needed—twice as many, three times as many. And the factories continue to work at full speed.

And here something happens that neither Mr. Fox, nor Mr. Box, nor Mr. Crox, nor Mr. Nox anticipated. The public stops buying hats. Mr. Nox lowers his price twenty cents; Mr. Crox, forty cents; Mr. Fox sells hats at a loss in order to get rid of them. But business grows worse and worse. In all of the papers advertisements appear:

YOU MAY HAVE ONLY ONE HEAD, BUT THAT DOES NOT MEAN AT ALL THAT YOU SHOULD WEAR ONLY ONE HAT. EVERY CANADIAN SHOULD HAVE THREE HATS. BUY THE HATS OF MR. FOX!

Mr. Box offers to sell hats on a three-year installment plan.

Mr. Nox announces a sale:

ONLY FOR ONE DAY! TAKE ADVANTAGE OF THIS OPPORTUNITY.

But this does not help. Mr. Fox lowers the wages of his workers one dollar a week. Mr. Crox lowers the wages two dollars a week. Again business grows worse and worse.

All at once—Stop! Mr. Fox closes his factory. Two thousand workers are discharged and permitted to go wherever they please. The following day the factory of Mr. Nox stops. In a week practically all hat factories are standing idle. Thousands of workers are without work. New machines grow rusty. Buildings are sold for wreckage.

A year or two pass. The hats bought from Nox, Fox, Box and Crox wear out. The public once more begins to buy hats. Hat stores become empty. From the top shelves dusty cartons are taken down. There are not enough hats. Prices on hats go up.

And now, not Mr. Fox, but a certain Mr. Doodle, thinks of a profitable business—the building of a hat factory. The same idea also enters the heads of other wise and business-like people—Mr. Boodle, Mr. Foodle, and Mr. Noodle. And the old story begins over again.

The experience with hats is repeated with shoes, with sugar, with pig iron, with coal, with kerosene. Factories are blown up like soap-bubbles and burst. One would think that people had lost their minds."

We are fully aware that, to be able to carry on the whole activities of a nation according to a plan, is an enormous and extremely difficult task. But the alternative is chaos and disaster. We can achieve disaster easily. All that we need to do is to allow things to drift as they are drifting. The rocks on the lee shore, and the rising gale will do the rest. To plan, however, the only other alternative, is difficult, but if disaster, through drifting, is to be avoided, it must be begun at once.

In other words, to plan means to apply the principle of science to human affairs. It was science which made the production of abundance possible, and science alone can distribute that abundance. Why should abundance, the product of a scientific age, be left to the mercy of greed and ignorance? In these days of statistical records, of technical experts and of highly trained scientific minds, Canada need have no difficulty in finding a body of men and women capable of planning her national programme from year to year. It is not science that we lack, nor is there a dearth of men and women capable of doing the job. What we do lack is the collective will to put this programme into effect.

Planning Impossible under Capitalism

Planning is the most important part of the constructive programme of the C.C.F. When once we have committed ourselves to a planning policy, and have taken steps necessary to put such a policy into effect, then the extent to which nationalization should be undertaken at any given time will be determined by all the factors affecting such a programme. The essential points to be emphasized here are that planning alone can save us from complete disaster, and

that planning is impossible under Capitalism. A Capitalistic government cannot plan even if it wants to, because it is not possible to retain Capitalism and plan at the same time.

If it is kept in mind that Capitalism is an economic system which operates for profit on a competitive basis, then no argument as to the impossibility of planning under that system is required. Let us take an example of what a Capitalistic government would have to face were it to undertake to plan the volume of output for a single commodity. Suppose we select binders as the commodity. There are a number of manufacturers of binders. The Government knows exactly how many binders should be manufactured, and also what it costs to produce a binder. It is desirable that there should not be too few nor too many, and that prices should be just. How is the Government to regulate the production of binders, when there are a number of manufacturers, each in competition with the other?

The Government would very likely find that each manufacturing concern has sufficient capacity output by itself to supply all the binders required. If the number of binders to be produced were equally divided among the manufacturers and a proper price insisted on, not one of the concerns would make a single binder. It would be impossible to make a profit on the allotted number of binders, at a proper price, sufficient to pay dividends on the capital invested. In vain the Government would argue that if the plant equipment for binder-making was six or ten times greater than was required, the people of Canada could not be charged a price for their binders to maintain a capitalization of that sort. The manufacturers would all clamour for the whole order of binders. And if the Government gave it to one, all the others would go bankrupt. Next year the Government would have to meet a manufacturing plant which had an absolute monopoly of the binder business and which would dictate terms to the Government.

In other words, if there were one hundred capitalists, there would be one hundred different plans, and each plan would have in view the interests of one of the Capitalists, and there would be no plan at all for the nation.

For the reason, then, that planning cannot be done under Capitalism, the C.C.F. must secure the sanction of the Canadian people for the nationalization of all natural resources, of producing plants, of transportation systems, and of distribution.

Nationalization of the Source of Wealth Production

The natural resources of the country are not only ours to use while we live, but they are for the people of Canada for all time. They should be, therefore, used with true economy, and replenished in every way possible. As an example of waste in this connection, could there be a clearer case than the waste of paper by our daily press? Forty or fifty pages in each issue in some instances, and every page filled with either useless or poisonous rubbish. And to think it costs the life of a tree in order to publish the immoral nonsense, or the advertising deviltry which fills the daily press! If national affairs were subject to intelligent direction, the question might well be raised as to whether or not we could afford to waste our trees to make newsprint for such purposes.

Of those who ask by what right the nation assumes control and direction of natural resources, we ask in turn, by what right were they taken from the people? The nationalization of our natural resources is a restoration to the people of that which should never have been taken away from them. What argument can there be in a matter of this kind, and in particular with respect to timber, coal and other mineral deposits, and water-power? As Commonwealthers we do not believe in the so-called right of private property in these matters, nor shall we recognize either precedent or practice in connection therewith. It is said that when a great French General was asked to take

over command during the World War, and when precedents had been quoted to him in respect to tactics, he replied, "To hell with history,—what is the problem?" That must be our attitude in this regard. We must meet our problem in the most intelligent way possible, and a private owner here or there will not even be seen.

Nationalization of the Means of Wealth Production

It might not be advisable to nationalize all private concerns in one sweeping act, and it is hardly conceivable that any responsible Government even of the Commonwealth type, would think of doing so. Under the direction of a carefully-planned programme, acts of nationalization would proceed as required in the best interest of the nation's economic life, or as fast as the Government could provide social direction to supplant individualistic management. The industries and institutions of public importance with which the policy of nationalization would necessarily begin, would be those which have become monopolistic in character, and the chief monopoly in Canada today is that of finance, and next to that is transportation.

As to the nationalizing of our railway system, a little dabbling has been done already by our Government in that regard. When the Canadian National Railways and the Grand Trunk Pacific, both privately-owned systems, had arrived at bankruptcy, the Government of that day undertook to buy both, not as bankrupt concerns, but as going concerns. The bondholders were thereby protected. We did not get a national railway. The taxes of the people were the guarantee to the bondholders of the returns on their investment.

In the meantime, the Canadian people were asked, and are still being asked, to support another railway so that it may also make profits for the bondholders. It is obviously impossible to support both these systems. Both must be nationalized, and the capital

charges written off at least to that figure where they can be met for one generation, and subsequently written off entirely.

The Nationalization of Finance

The taking over by the Government of the credit of the country and its administration on a new basis is, we believe, the very first step to be taken in a reconstruction programme. Again, the control of credit belongs to the Government by constitutional right. Those who made Confederation possible were wise enough to see the importance of placing all financial control in the hands of the Dominion, but, subsequently, the bankers ruled the Government and took full charge of the nation's finance.

Money is a symbol of wealth. Its chief use is to facilitate the exchange of goods. There should always be sufficient money in circulation to buy the goods on the market at any given time, but under bankers' control this is not case. The bankers have obtained from the Government the full right to make all money in Canada. By far the greatest part of our money is made by the scratch of a banker's pen.

The Dominion notes, bank notes, gold, silver and copper coins all put together represent only the small change of our monetary system. Taken together, these forms of money are sufficient to do only 4% of the nation's normal trade. Therefore, 96% of our money is composed of another kind, and is known as credit. What, then, is credit? It is the belief in the nation's power to produce and deliver the goods, in the quantity required, at the time required, and at the place required. Thus, our real credit includes our natural resources, our plant equipment, our industrial organizations, the skill and character of our people.

What right have bankers to control such a thing as credit? Here is an example of how they control it. If a person has nothing and goes into the bank to borrow money, he will still have nothing when he

comes out. If a person who has some real credit in one or all of the forms above-mentioned goes into the bank to borrow money, and if he is successful in borrowing, he will have less when he comes out of the bank than he had when he went in.

This is how it works under bankers' control. John is a farmer. He owns a hundred pigs. The pigs are not ready for the market, and John has no more feed and his money is done. He, therefore, goes to the bank for help.

John enters the bank, and the conversation and what takes place would be somewhat in the following manner:

John: "I want to borrow \$50.00"

Banker: "What do you want to do with \$50.00?"

John: "I want to buy feed for my pigs."

Banker: "What have you got as security?" (Incidentally, the question implies—"If you have got nothing you can't get anything, but if you have real credit, I have the legal authority to grant to you the financial expression of part of what you have").

John: "Well, I have one hundred pigs."

Banker: with pen in hand, "Yes? Anything else?"

John: "Yes. Twelve cows and six horses."

Banker—writes all these in the bank account, and marks a credit of \$50.00 opposite them.

John is then allowed to write a cheque to the feed store for fifty dollars. But what in reality is the process? It is that John, having put one hundred pigs into the bank, is permitted to draw four of them out by the tail to be used in feeding the rest of them, while he donates another pig to the banker for the privilege of using his four pigs.

So it will be seen that the bankers have no credit. It is the people who have the credit, while the banker monopolizes its control for his own private gain. And he makes a very poor job of controlling it. Just as he created fifty dollars with his pen for John to use,

so he creates 96% of all the money Canada has in the same way. And he destroys it, too, when it suits his purpose. There is not as much money in Canada now as there was four years ago, as some people believe. Bankers can and have destroyed with their pens that which by their pens they created on the strength of the credit of the people. The basis of this credit is sound, but it is not issued in the interest of the nation, for naturally enough it is issued or cancelled according to the bankers' interest.

Credit, therefore, must be nationalized. The gold basis must be discarded, and money must be issued in the proper quantity, in order that it may perform its proper function as a means of exchange.

Economic Security

Without economic security no individual can have peace of mind. An individual with family responsibility and no security has perpetual dread and mental misery. If the individual is to have security, he must not only be assured of his right to do his share of the nation's necessary work, but he must have protection against accident, sickness, death, and old age. When the State becomes the owner of the natural resources, the means of production, of transportation and distribution, it will have no difficulty in providing ample economic security for every individual.

The social order adumbrated above cannot be attained in one year, nor in one generation. It took a hundred and fifty years to develop Capitalism, and it may take as long to bring the Co-operative Commonwealth to its fullest capacity of service. We are only at the beginning, the pioneers of that system which future generations will enjoy. We are making a road into that new era. We may never traverse that road on a pleasure trip, but subsequent generations will move over it with ease, with pleasure, and with rapidity. We are the pioneers of the Age of Humanity.

CHAPTER IV

CAPITALISM VERSUS SOCIALISM

Where Do You Stand?

The people of Canada, and in fact the peoples of the world today are hovering in their decision between two opinions. These opinions represent systems of thought and action, and of technique which touch human life at every point. These two opinions are described in a general way and perhaps inadequately by the terms Capitalism and Socialism.

Financiers and those who through finance have become owners of the natural resources and the means of wealth production and for whom Capitalism now exists, are naturally in favour of maintaining things as they are. These, of course, represent a very small fraction of the population, so small as to be helpless in carrying on the system if it were not for the strategy possible only to those in control, and which strategy is made effective through the agencies of groups dependent for their existence upon the crumbs and leavings of the financiers' well-supplied table.

The small incompetent group of financiers control all governments elected by means of their money. Thus they direct all agencies, such as the police force and standing army, which are maintained ostensibly for the protection of the state and paid for out of the taxes of the people. These agencies are directed so as to maintain the privileges of their directors.

Of those agencies which are not directly in control of a financier's government but which are indirectly controlled through financial influence, the press, and in particular, the daily press, is by far the most important. No daily paper in Canada which dared to take a stand against Capitalism could exist for one year. Therefore, they all stand for Capitalism, with-

out a single exception. Their editorials, and even their news items, without any basis in fact, endeavour to inspire the people at large to still greater suffering and sacrifice in order that financial institutions may be safeguarded. The Prime Minister joined with them in that sort of talk when he said, in the House of Commons on October 10, 1932, while refusing financial assistance, that, —

“We have no desire to undermine that high courage, that resourcefulness and ability of our citizens to emerge out of difficulties, strengthened by trial as by fire.”

The ranks of Capitalism's defence are also further recruited by those who have been left small incomes by their deceased relatives, and those who have made petty investments, the possible returns upon which range all the way from financial independence to the funeral expenses of the investors. Many labour people, apparently having a great fear that they will not be buried when they die, have invested their savings in funeral expenses and so cling to the system like an impoverished limpet. And there are also the ignorant who know nothing of the origin, function or history of human institutions, but who do what they are told out of fear, or habit, or both. These together hold the opinion, either because of personal interest or because they have been told to do so by those having a personal interest, that Capitalism must continue.

On the other hand, there are those grouped under the other opinion which may be described by the term Socialist. First among these are the intellectuals, who know history and the forces by and through which systems come and go. They stand for Socialism because they know that Capitalism has run its course; that it will perish even though the confidence of the entire race in it remained undisturbed; that Capitalism, like economic systems which preceded it, has no claim on eternal life; that, on the contrary, it had within itself from its inception the germs of its own

destruction, and that having made its contribution to human progress — which contribution is the knowledge and technique of producing abundance — it must now give place to a system which, while retaining the means of production which Capitalism furnished, must go on to distribute the fruits of production on the basis of human needs.

Next under the Socialist banner come those who believe in something they call justice and right, — moralists who condemn Capitalism because of its unethical and unjust fruits. Following them are those whose love for humanity is greater than love for any system: whose sympathy for the unfortunate masses, sometimes expressed in terms of Christianity, has driven them to the position that a system exists for the people, and not the people for the system, and since Capitalism ignores the human element, compelling humanity to sacrifice itself to the system, it must be replaced by one that will serve mankind.

And finally, there come the rank and file of those called labourers and farmers, who are conscious that Capitalism has dispossessed them of the fruits of their toil. They are moved by a healthy self-interest. They are willing to work, and to work as hard as need be. They know they have produced too much, that they can produce more, but that they have too little to make life worth while, notwithstanding the real and potential abundance. They condemn a system which permits the wealth they have created to rot in the possession of a few who cannot possibly use it, while its producers lack the necessities of life.

When the roll is called at the next election, on which side will you take your stand? Conservatives and Liberals are allied armies under Capitalism. A vote for either of these parties, unless a change of heart and mind and policy takes place before that time, will be a vote for Capitalism. The Co-operative Commonwealth Federation stands for a new co-operative system, and historically, scientifically, ethically, or humanely, is prepared to defend that stand.



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